

**ANNUAL
FINANCIAL REPORT
OF THE
CITY OF SERGEANT BLUFF, IOWA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2009**

Prepared by the
Finance Department
Jim Ferneau, City Administrator

**CITY OF SERGEANT BLUFF, IOWA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2009
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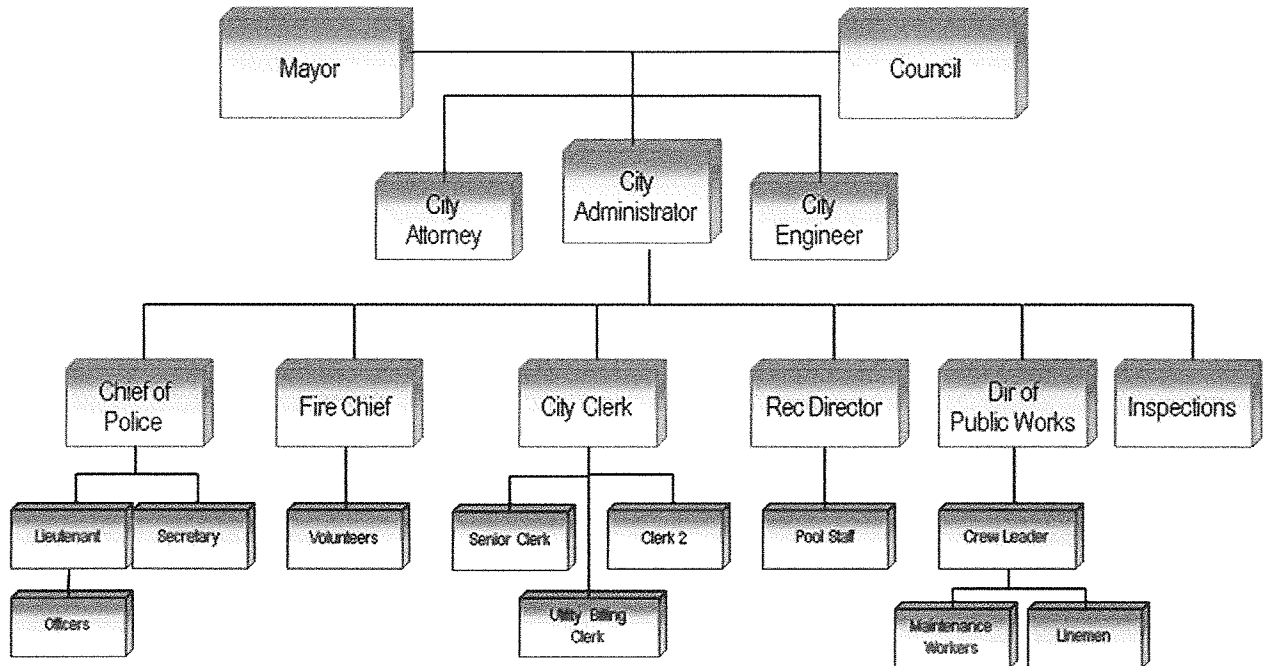
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CITY OF SERGEANT BLUFF, IOWA

Organizational Chart June 30, 2009



CITY OF SERGEANT BLUFF

List of Principal Officials
June 30, 2009

Title	Name
Mayor	Dale Petersen
Council Member and Mayor Pro-Tem.....	Sid Seward
Council Member	Ron Hanson
Council Member	Larry Kollbaum
Council Member	Don Wood
Council Member	Walt Wendel
City Engineer.....	Aaron Lincoln
City Attorney.....	Sarah Kleber
City Administrator.....	Jim Ferneau
City Clerk/Treasurer	Renee Fangman
Public Works Director.....	Mark Huntley
Code Enforcement Officer.....	Cindy Houlihan
Chief of Police	Dave McFarland
Fire Chief.....	Anthony Gaul
Recreation Director	Brent Brown
Library Director.....	Leslie Ellerbeck



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INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of the City Council
City of Sergeant Bluff, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sergeant Bluff, Iowa, (the City) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report date April 14, 2010 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information are not required parts of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sergeant Bluff's basic financial statements. The financial statements for the five years ending June 30, 2008 were audited (none of which are presented herein) according to the second paragraph of this report, and had unqualified opinions expressed on them. The accompanying schedule of revenues by source and expenditures by function is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Sergeant Bluff, Iowa. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on it.

The accompanying combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
April 14, 2010

Management's Discussion and Analysis

The discussion and analysis of the City of Sergeant Bluff's financial performance for the year ended June 30, 2009 provides a narrative overview of its financial activities. Readers are encouraged to consider the information presented here in conjunction with the City's financial statements, which follow.

Financial Highlights

- The City's assets of approximately \$31 million are divided between Governmental Activities (\$17 million) and Business-Type Activities (\$14 million). Combined assets exceeded liabilities by approximately \$21 million. Of this amount, approximately \$6 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- At June 30, 2009, the City of Sergeant Bluff's governmental funds reported combined ending fund balances of approximately \$4,148,000.
- The unreserved fund balance for the general fund, at the end of the current fiscal year was approximately \$1,064,000. This represents 49 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Sergeant Bluff's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Sergeant Bluff's finances, in a manner similar to a private-sector business. The Statement of Net Assets is essentially a balance sheet that combines all funds on a government-wide basis. Changes in net assets over time may be an indicator of whether the City's financial position is improving or worsening.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in the net assets are reported as soon as the underlying event occurs, giving rise to the change regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Sergeant Bluff that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Sergeant Bluff include general government, public safety, public works, community and

economic development, culture and recreation and debt service. The Business-Type Activities of the City include an electric, water, sewer, solid waste and storm water utility.

The government-wide financial statements can be found on pages 13-15 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Sergeant Bluff, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Sergeant Bluff maintains 8 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, local option sales tax, debt service fund, and capital projects fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements as supplementary information.

The basic governmental fund financial statements can be found on pages 16-21 of this report.

Proprietary Funds. The City of Sergeant Bluff maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Electric, Water, Sewer, Solid Waste and Storm Water Utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water, Sewer, Solid Waste and Storm Water Utilities as all are considered, or have been designated to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 22-29 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties external to the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Sergeant Bluff's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements are reported in a separate statement of fiduciary net assets.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-45 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following comparative chart shows the changes in net assets for the years ended June 30, 2009 and 2008:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total City</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 6,756,343	\$ 3,833,394	\$ 4,811,776	\$ 5,117,688	\$ 11,568,119	\$ 8,951,082
Capital assets	<u>10,516,333</u>	<u>9,780,487</u>	<u>9,016,634</u>	<u>8,498,526</u>	<u>19,532,967</u>	<u>18,279,013</u>
Total assets	17,272,676	13,613,881	13,828,410	13,616,214	31,101,086	27,230,095
Long-term debt						
outstanding	6,285,000	3,945,000	1,055,000	1,224,775	7,340,000	5,169,775
Other liabilities	<u>2,411,547</u>	<u>1,784,534</u>	<u>411,521</u>	<u>398,918</u>	<u>2,823,068</u>	<u>2,183,452</u>
Total liabilities	8,696,547	5,729,534	1,466,521	1,623,693	10,163,068	7,353,227
Net assets:						
Invested in capital assets,						
net of related debt	5,706,887	5,835,487	7,961,634	7,273,751	13,668,521	13,109,238
Restricted	1,179,789	925,549	-	-	1,179,789	925,549
Unrestricted	<u>1,689,453</u>	<u>1,123,311</u>	<u>4,400,255</u>	<u>4,718,770</u>	<u>6,089,708</u>	<u>5,842,081</u>
Total net assets	\$ <u>8,576,129</u>	\$ <u>7,884,347</u>	\$ <u>12,361,889</u>	\$ <u>11,992,521</u>	\$ <u>20,938,018</u>	\$ <u>19,876,868</u>

This summary reflects a 9% increase in governmental activities net assets and an increase of 3% increase in the business-type activities net assets.

Total revenue reported in Fiscal Year 2009 was \$7,357,651. The following table breaks down revenues collected for governmental activities and business-type activities for fiscal year 2008 and 2009.

Revenue Source	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Program revenues:						
Charges for services	\$ 340,224	\$ 286,213	\$ 4,069,902	\$ 4,362,251	\$ 4,410,126	\$ 4,648,464
Operating grants and contributions	337,866	410,769	-	-	337,866	410,769
Capital Grants and contributions	418,080	94,899	129,920	-	548,000	94,899
Total program revenues	<u>1,096,170</u>	<u>791,881</u>	<u>4,199,822</u>	<u>4,362,251</u>	<u>5,295,992</u>	<u>5,154,132</u>
General revenues and interfund transfers:						
Property taxes	1,554,732	1,430,288	-	-	1,554,732	1,430,288
Local option sales tax	368,402	354,479	-	-	368,402	354,479
Hotel/motel tax	28,743	26,160	-	-	28,743	26,160
Interest	73,422	69,877	6,003	8,627	79,425	78,504
Insurance recoveries	-	761,142	-	-	-	761,142
Use of property	-	-	7,717	15,354	7,717	15,354
Gain on sale of assets	-	3,216	-	-	-	3,216
Miscellaneous	10,178	29,707	12,462	16,530	22,640	46,237
Interfund transfers	<u>504,402</u>	<u>244,485</u>	<u>(504,402)</u>	<u>(244,485)</u>	<u>-</u>	<u>-</u>
Total general revenues and interfund transfers	<u>2,539,879</u>	<u>2,919,354</u>	<u>(478,220)</u>	<u>(203,974)</u>	<u>2,061,659</u>	<u>2,715,380</u>
	<u>\$ 3,636,049</u>	<u>\$ 3,711,235</u>	<u>\$ 3,721,602</u>	<u>\$ 4,158,277</u>	<u>\$ 7,357,651</u>	<u>\$ 7,869,512</u>

Program revenues totaled \$5,295,992 for fiscal year 2009. Governmental activities provided \$1,096,170 and business-type activities provided \$4,199,822. Revenue collected for charges for services during the year was \$4,410,126, accounting for 83 percent of total program revenues.

General revenues and transfers for fiscal year 2009 totaled \$2,061,659, with governmental activities providing \$2,539,879, and business-type activities using \$478,220. Property tax revenues for fiscal year 2009 totaled \$1,554,732, accounting for almost 75 percent of general revenues.

Expenditures for fiscal year 2009 totaled \$6,296,501. Expenditures for governmental activities totaled \$2,944,267, accounting for 47 percent of total expenditures. Business-type activity expenditures totaled \$3,352,234, for 53 percent of the total. The following table shows total expenditures by Function/Program:

Program Level	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Public safety	\$ 1,071,606	\$ 1,035,783	\$ -	\$ -	\$ 1,071,606	\$ 1,035,783
Public works	804,094	757,446	-	-	804,094	757,446
Culture and recreation	475,012	344,438	-	-	475,012	344,438
Community and economic development	45,421	43,700	-	-	45,421	43,700
General government	312,154	455,852	-	-	312,154	455,852
Debt service	235,980	198,614	-	-	235,980	198,614
Electric utility	-	-	1,928,272	1,949,987	1,928,272	1,949,987
Water utility	-	-	534,223	452,574	534,223	452,574
Sewer utility	-	-	591,353	533,462	591,353	533,462
Solid waste utility	-	-	275,557	248,811	275,557	248,811
Storm water utility	-	-	22,829	41,383	22,829	41,383
Total expenditures	<u>\$ 2,944,267</u>	<u>\$ 2,835,833</u>	<u>\$ 3,352,234</u>	<u>\$ 3,226,217</u>	<u>\$ 6,296,501</u>	<u>\$ 6,062,050</u>

The following table shows the activities included within each program level:

Public Safety	Individual & Community Protection, Physical Health
Public Works	Roadway Construction, Airport Operations, General Streets, Transportation Services
Culture and Recreation	Education & Culture, Leisure Time Opportunities
Community and Economic Development	Economic Development and Community Beautification
General Government	Administration, Accounting, Support Services
Debt Service	Payment of Interest
Capital Projects	Construction of Capital Facilities
Electric Utility	Operation of Electric Distribution System
Water Utility	Operation of Water Supply Distribution System
Sewer Utility	Operation of Waste Water Treatment Plant/Collection System
Solid Waste Utility	Operation of Garbage and Recycling Collection and Disposal System
Storm Water Utility	Operation of Storm Water Drainage System

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional clarification is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, the City spent \$1,071,606 for Public Safety and received \$211,341 in revenue, leaving a cost to taxpayers of \$860,265 to be funded by various methods. The format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety	Fines, Fees
Public Works	Road Use Tax, Rent
Culture and Recreation	Fees, State Aid
General Government	Licenses, Permits
Capital Projects	Donations, State Grants, Federal Grants

The total cost of governmental activities this year was \$2,944,267. Of these costs, \$340,224 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contributions were \$755,946, leaving a Net Expense of \$1,848,097 for Governmental Activities. These expenses were covered with tax revenues, interest, and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

<u>Functions/Programs</u>	<u>Net (Expense) Revenue</u>	
	<u>2009</u>	<u>2008</u>
Governmental activities:		
Public safety	\$ (860,265)	\$ (811,130)
Public works	(50,337)	(426,841)
Culture and recreation	(386,242)	(289,510)
Community and economic development	(37,557)	(22,101)
General government	(277,716)	(366,758)
Debt service	<u>(235,980)</u>	<u>(198,614)</u>
Total net (expense) governmental activities	(1,848,097)	(2,070,752)
General revenues and interfund transfers	<u>2,539,879</u>	<u>2,956,300</u>
Change in net assets	<u>\$ 691,782</u>	<u>\$ 885,548</u>

Total resources available during the year to finance governmental operations were \$11,520,396, consisting of net assets at July 1, 2008 of \$7,884,347, program revenues of \$1,096,170 and general revenues and transfers of \$2,539,879. Total governmental activities during the year expended \$2,944,267; thus, net assets were increased by \$691,782 to \$8,576,129.

Business-Type Activities

Business-type activities increased the City's net assets by \$369,368, accounting for 35 percent of the growth in the City's net assets.

The cost of all proprietary activities this year was \$3,352,234. As shown in the Statement of Activities, program revenue was \$4,199,822, resulting in a total Net Revenue of \$847,588.

<u>Business-Type Activities</u>	<u>Net (Expense) Revenue</u>	
	<u>2009</u>	<u>2008</u>
Electric utility	\$ 399,306	\$ 661,458
Water utility	169,513	290,284
Sewer utility	242,910	112,249
Solid waste utility	(22,002)	28,365
Storm water utility	<u>57,861</u>	<u>43,678</u>
Total net revenue business-type activities	847,588	1,136,034
General revenues and interfund transfers	<u>(478,220)</u>	<u>(203,974)</u>
Change in net assets	<u>\$ 369,368</u>	<u>\$ 932,060</u>

Total resources available during the year to finance proprietary fund activities were \$15,714,123 consisting of net assets at July 1, 2008, of \$11,992,521, program revenues of \$4,199,822, and general revenues and transfers of \$(478,220). Total proprietary fund activities during the year expended \$3,352,234 thus, net assets were increased by \$369,368 to \$12,361,889.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal

year. The City's Governmental Funds reported combined ending fund balances \$4,148,139. The combined Governmental Funds balance increased \$2,120,115 from the prior year.

The General Fund is the primary operating fund of the City. During the year, revenues and transfers exceeded expenditures in the General Fund by \$448,315. Debt Service revenues and other financing sources exceeded expenditures by \$1,386,363. This change is the result of issuing long term bonded debt in a crossover refunding.

The local option sales tax fund is used to account for the collection of a one cent local option sales and service tax to be expended for property tax relief and various infrastructure projects. The fund balance increased approximately \$148,000 during the year resulting from increased tax collections and fewer transfers for projects.

The Capital Project Fund is used to account for general governmental capital improvements. During 2009 the City expended \$1.4 million on various capital projects, primarily First Street and South Lewis Boulevard reconstruction. This project is being financed with government grants and general obligation debt.

BUDGETARY HIGHLIGHTS

Comparing the fiscal year 2009 original (adopted) citywide amount of \$10,174,817 to the final budget amount of \$10,299,817 shows a net increase of \$125,000.

<u>Original Budget</u>	<u>Supplemental Changes</u>	<u>Amended Budget</u>
<u>\$10,174,817</u>	<u>\$ 125,000</u>	<u>\$10,299,817</u>

The following table shows the budget variances by program structure:

<u>Program</u>	<u>Final Budget</u>	<u>Actual (Cash Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Public Safety	\$ 1,293,830	\$ 1,122,057	\$ 171,773
Public Works	521,531	450,844	70,687
Culture and Recreation	392,689	381,539	11,150
Community and Economic Development	55,290	41,892	13,398
General Government	456,996	335,186	121,810
Debt Service	775,673	727,317	48,356
Capital Projects	2,453,881	703,890	1,749,991
Business-Type/Enterprise	<u>4,349,927</u>	<u>4,142,384</u>	<u>207,543</u>
	<u>\$10,299,817</u>	<u>\$ 7,905,109</u>	<u>\$ 2,394,708</u>

See pages 46-48 for more detail information regarding the City's budget.

CAPITAL ASSETS

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, electric systems, sewer systems, water systems, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2009, was \$19,668,521, (net of accumulated depreciation). This is an increase of \$1,389,508 from fiscal year 2008. The gross additions to capital assets for fiscal years 2009 and 2008 are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Infrastructure	\$ 653,729	\$ 92,067	\$ -	\$ -	\$ 653,729	\$ 92,067
Buildings	-	15,500	387,156	-	387,156	15,500
Distribution system	-	-	771,705	4,848	771,705	4,848
Equipment	328,396	141,202	237,353	83,948	565,749	225,150
Construction in progress	<u>1,334,387</u>	<u>581,955</u>	<u>642,891</u>	<u>602,013</u>	<u>1,977,278</u>	<u>1,183,968</u>
Total	<u>\$ 2,316,512</u>	<u>\$ 830,724</u>	<u>\$2,039,105</u>	<u>\$ 690,809</u>	<u>\$4,355,617</u>	<u>\$ 1,521,533</u>

Construction in progress consisted of costs associated with road construction projects, the water treatment plant, #5 lift station, and storm water drainage.

See Note 4 to the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

On June 30, 2009 the City had \$7,340,000 of debt outstanding. This is an increase of \$2,225,000 from the prior year. \$2,715,000 of new debt was issued and \$490,000 of existing debt was retired.

See Note 5 to the financial statements for more information on the City's long-term debt.

ECONOMIC FACTORS

The City of Sergeant Bluff continues to report slowing yet steady residential and commercial growth, with residential property encompassing 67% (taxable value) of the property tax base and commercial 30% of the property tax base. Per capita property value is over \$55,000, which represents a fairly strong number. The property tax base has increased, on average, about 5.6% annually over the past 5 years.

This steady growth has allowed the City to maintain its high level of service at a reasonable property tax rate. The sales tax portion of the City's revenue base has also continued to remain steady during a time when other communities have struggles. The City has budgeted for use of the General Fund balance in past years, but is currently in a period of budgets that are either balanced or reflect a cash surplus. The General Fund balance, as a result, has increased to 49% of expenditures during the 2009 year. Efforts have been taken in future planning (fiscal year 2011) to use excess capital in the General Fund balance to fund one-time capital projects in a process to bring the General Fund balance closer to a 30% of expenditure level in future years.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Sergeant Bluff's financial position for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Sergeant Bluff, Administration Office, Sergeant Bluff, Iowa.

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
Cash and Cash Equivalents	\$ 2,268,421	\$ 1,360,750	\$ 3,629,171
Investments	525,404	2,807,252	3,332,656
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	12,519	435,877	448,396
Taxes	20,786	-	20,786
Subsequent Year Taxes	1,615,220	-	1,615,220
Estimated Unbilled Usage	-	99,559	99,559
Internal Balances	258,967	(258,967)	-
Due from Other Governmental Agencies	485,428	-	485,428
Inventories	-	276,584	276,584
Prepaid Assets	23,022	34,533	57,555
Restricted Assets:			
Cash and Cash Equivalents	-	38,759	38,759
Investments	1,312,630	-	1,312,630
Bond Issue Costs	98,392	17,429	115,821
Land	393,609	62,775	456,384
Construction in Progress	1,432,892	148,779	1,581,671
Deposit on Capital Assets	135,554	-	135,554
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	8,689,832	8,805,080	17,494,912
Total Assets	17,272,676	13,828,410	31,101,086
LIABILITIES			
Accounts Payable	714,942	337,591	1,052,533
Accrued Wages and Related Taxes	21,074	7,404	28,478
Accrued Interest Payable	33,718	3,080	36,798
Deferred Revenue - Subsequent Year Taxes	1,615,220	-	1,615,220
Payables from Restricted Assets:			
Customer Deposits	-	38,759	38,759
Noncurrent Liabilities:			
Due within one year:			
General Obligation Bonds	1,695,000	120,000	1,815,000
Compensated Absences and Benefits	26,593	24,687	51,280
Due in more than one year:			
General Obligation Bonds	4,590,000	935,000	5,525,000
Total Liabilities	8,696,547	1,466,521	10,163,068
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	5,706,887	7,961,634	13,668,521
Restricted for:			
Debt Service	117,071	-	117,071
Local option sales tax purposes	547,302	-	547,302
Specific Revenues	515,416	-	515,416
Unrestricted	1,689,453	4,400,255	6,089,708
Total Net Assets	\$ 8,576,129	\$ 12,361,889	\$ 20,938,018

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 1,071,606	\$ 152,045	\$ 49,307	\$ 9,989
Public Works	804,094	70,421	275,245	408,091
Culture and Recreation	475,012	83,670	5,100	-
Community and Economic Development	45,421	-	7,864	-
General Government	312,154	34,088	350	-
Debt Service	235,980	-	-	-
Total governmental activities	2,944,267	340,224	337,866	418,080
Business-Type Activities:				
Electric Utility	1,928,272	2,327,578	-	-
Water Utility	534,223	703,736	-	-
Sewer Utility	591,353	704,343	-	129,920
Solid Waste Utility	275,557	253,555	-	-
Storm Water Utility	22,829	80,690	-	-
Total Business-Type Activities:	3,352,234	4,069,902	-	129,920
Total Primary Government	\$ 6,296,501	\$ 4,410,126	\$ 337,866	\$ 548,000

General Revenues:

Property taxes, levied for general purposes
Property taxes, levied for tax increment financing debt
Property taxes, levied for employee benefits
Property taxes, levied for debt service
Local option sales tax
Interest
Use of property
Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (860,265)	\$ -	\$ (860,265)
(50,337)	-	(50,337)
(386,242)	-	(386,242)
(37,557)	-	(37,557)
(277,716)	-	(277,716)
(235,980)	-	(235,980)
(1,848,097)	-	(1,848,097)
-	399,306	399,306
-	169,513	169,513
-	242,910	242,910
-	(22,002)	(22,002)
-	57,861	57,861
-	847,588	847,588
(1,848,097)	847,588	(1,000,509)
970,175	-	970,175
22,371	-	22,371
271,650	-	271,650
290,536	-	290,536
397,145	-	397,145
73,422	6,003	79,425
-	7,717	7,717
10,178	12,462	22,640
504,402	(504,402)	-
2,539,879	(478,220)	2,061,659
691,782	369,368	1,061,150
7,884,347	11,992,521	19,876,868
\$ 8,576,129	\$ 12,361,889	\$ 20,938,018

See Accompanying Note to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
BALANCE SHEET
Governmental Funds
JUNE 30, 2009

	General	Special Revenue Local Option Sales Tax	Debt Service
Assets			
Cash and Pooled Investments	\$ 1,008,535	\$ 142,447	\$ 23,669
Investments	4,923	350,000	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	12,519	-	-
Taxes	11,690	-	3,378
Subsequent Year Taxes	991,897	-	329,381
Due from Other Funds	115,266	-	151,112
Due from Other Governmental Agencies	-	54,855	-
Restricted Assets:			
Investments	-	-	1,312,630
Total Assets	<u>2,144,830</u>	<u>547,302</u>	<u>1,820,170</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	52,850	-	-
Accrued Wages	21,074	-	-
Due to Other Funds	14,176	-	-
Deferred Revenue - Subsequent Year Taxes	991,897	-	329,381
Total Liabilities	<u>1,079,997</u>	<u>-</u>	<u>329,381</u>
Fund Balances:			
Reserved for:			
Debt Service	-	-	1,490,789
Unreserved			
General fund	1,064,833	-	-
Special revenue funds	-	547,302	-
Capital projects funds	-	-	-
Total Fund Balances	<u>1,064,833</u>	<u>547,302</u>	<u>1,490,789</u>
Total Liabilities and Equity	<u>\$ 2,144,830</u>	<u>\$ 547,302</u>	<u>\$ 1,820,170</u>

See Accompanying Notes to Financial Statements

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 510,786	\$ 582,984	\$ 2,268,421
-	170,481	525,404
-	-	12,519
2,448	3,270	20,786
-	293,942	1,615,220
-	12,465	278,843
408,091	22,482	485,428
-	-	1,312,630
921,325	1,085,624	6,519,251

662,092	-	714,942
-	-	21,074
5,700	-	19,876
-	293,942	1,615,220
667,792	293,942	2,371,112

-	-	1,490,789
-	-	1,064,833
-	791,682	1,338,984
253,533	-	253,533
253,533	791,682	4,148,139
\$ 921,325	\$ 1,085,624	\$ 6,519,251

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2009

Total Fund Balance - Governmental Funds (page 17)	\$ 4,148,139
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Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	10,651,887
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Accrued expenses from the balance sheet that require current financial resources for governmental activities	(33,718)
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Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	98,392
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Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	23,022
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Compensated Absences	(26,593)	
Due within one year	(1,695,000)	
General Obligations Bonds	(4,590,000)	(6,311,593)

Total Net Assets - Governmental Activities (page 13)	<u>\$ 8,576,129</u>
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CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2009

	General	Special Revenue Local Option Sales Tax	Debt Service
Revenue:			
Taxes	\$ 999,252	\$ -	\$ 290,536
Other city taxes	-	368,402	-
Licenses and Permits	18,185	-	-
Intergovernmental Revenue	46,825	-	-
Charges for Services	120,418	-	-
Fines and Forfeits	17,739	-	-
Contributions	12,063	-	-
Refunds/Reimbursements	72,035	-	-
Rental Income	7,200	-	-
Proceeds from Sale of Assets	29,065	-	-
Interest	66,845	-	1,517
Miscellaneous	7,743	-	-
Total Revenue	1,397,370	368,402	292,053
Expenditures:			
Public Safety	1,001,608	-	-
Public Works	445,765	-	-
Culture and Recreation	356,831	-	-
Community and Economic Development	35,330	-	-
General Government	311,718	-	-
Capital Projects	-	-	-
Debt Service	-	-	639,818
Total Expenditures	2,151,252	-	639,818
Excess (deficiency) of revenues over expenditures	(753,882)	368,402	(347,765)
Other financing sources (uses):			
Proceeds from Debt Financing	342,005	-	1,379,726
Transfers In	860,192	-	354,402
Transfers Out	-	(220,396)	-
Total other financing sources (uses)	1,202,197	(220,396)	1,734,128
Net Change in Fund Balance	448,315	148,006	1,386,363
Fund balances - beginning of year	616,518	399,296	104,426
Fund balances-end of year	\$ 1,064,833	\$ 547,302	\$ 1,490,789

See Accompanying Notes to Financial Statements

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 22,371	\$ 271,650	\$ 1,583,809
-	-	368,402
-	-	18,185
408,091	285,234	740,150
-	75,422	195,840
-	-	17,739
-	3,732	15,795
-	-	72,035
-	-	7,200
-	-	29,065
32	5,028	73,422
84	31,577	39,404
430,578	672,643	3,161,046
-	100,065	1,101,673
-	6,650	452,415
-	-	356,831
-	-	35,330
-	-	311,718
1,362,548	-	1,362,548
-	-	639,818
1,362,548	106,715	4,260,333
(931,970)	565,928	(1,099,287)
993,269	-	2,715,000
513,498	-	1,728,092
(477,838)	(525,456)	(1,223,690)
1,028,929	(525,456)	3,219,402
96,959	40,472	2,120,115
156,574	751,210	2,028,024
\$ 253,533	\$ 791,682	\$ 4,148,139

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

Net change in fund balances - total governmental funds (page 20) \$ 2,120,115

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlay exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 1,681,206	
Depreciation expense	<u>(758,118)</u>	923,088

Governmental funds report the proceeds from the sale of fixed assets as revenue whereas the statement of activities reports the gain on the sale of fixed assets. This is the effect on the change in net assets on the statement of activities. (51,688)

Revenues reported in the funds that are not available to provide current financial resources (334)

Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources (1,146)

Accrued interest expense that does not require current financial resources (11,869)

Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in the long-term compensated absences for the year was: 12,909

The issuance of indebtedness provides current financial resources to the governmental funds without affecting net assets. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt for the year was: (2,715,000)

The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities

Bond issuance costs	47,513	
Amortization of deferred charges	<u>(6,806)</u>	40,707

The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was: 375,000

Change in net assets of governmental activities (page 15) \$ 691,782

CITY OF SERGEANT BLUFF, IOWA
COMBINING STATEMENT OF NET ASSETS
Proprietary Funds
JUNE 30, 2009

	Business Type Activities	
	Electric Utility	Water Utility
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 787,965	\$ -
Investments	1,975,000	821,183
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	249,836	61,616
Estimated Unbilled Usage	59,880	15,782
Advances to Other Funds	1,000,000	-
Inventories	269,584	7,000
Prepaid Assets	11,511	11,511
Total current assets	<u>4,353,776</u>	<u>917,092</u>
Non-current assets:		
Restricted Assets:		
Cash and Cash Equivalents	38,759	-
Bond Issue Costs	-	1,941
Land	-	11,185
Construction in Progress	-	144,434
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>979,774</u>	<u>3,255,218</u>
Total non-current assets	<u>1,018,533</u>	<u>3,412,778</u>
Total Assets	<u>5,372,309</u>	<u>4,329,870</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	272,845	27,808
Accrued Wages	4,544	1,257
Accrued Compensated Absences	9,724	8,141
Accrued Interest Payable	-	206
Due to Other Funds	5,681	120,858
Advance from Other Funds	-	-
General Obligation Bonds Payable	-	20,000
Total current liabilities	<u>292,794</u>	<u>178,270</u>
Liabilities payable from restricted assets:		
Customer Deposits	<u>38,759</u>	<u>-</u>
Total liabilities payable from restricted assets:	<u>38,759</u>	<u>-</u>
Noncurrent Liabilities:		
Due in more than one year:		
General Obligation Bonds	-	120,000
Total non-current liabilities	<u>-</u>	<u>120,000</u>
Total Liabilities	<u>331,553</u>	<u>298,270</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	<u>979,774</u>	<u>3,270,837</u>
Unrestricted	<u>4,060,982</u>	<u>760,763</u>
Total Net Assets	<u>\$ 5,040,756</u>	<u>\$ 4,031,600</u>

See Accompanying Notes to Financial Statements

Business Type Activities			
Sewer Utility	Solid Waste Utility	Storm Water Utility	Total
\$ 335,780	\$ 53,321	\$ 183,684	\$ 1,360,750
11,069	-	-	2,807,252
84,760	28,172	11,493	435,877
16,144	5,890	1,863	99,559
-	-	-	1,000,000
-	-	-	276,584
11,511	-	-	34,533
459,264	87,383	197,040	6,014,555
-	-	-	38,759
15,488	-	-	17,429
51,590	-	-	62,775
-	-	4,345	148,779
4,449,968	-	120,120	8,805,080
4,517,046	-	124,465	9,072,822
4,976,310	87,383	321,505	15,087,377
18,610	18,306	22	337,591
1,603	-	-	7,404
6,822	-	-	24,687
2,874	-	-	3,080
132,428	-	-	258,967
1,000,000	-	-	1,000,000
100,000	-	-	120,000
1,262,337	18,306	22	1,751,729
-	-	-	38,759
-	-	-	38,759
815,000	-	-	935,000
815,000	-	-	935,000
2,077,337	18,306	22	2,725,488
3,586,558	-	124,465	7,961,634
(687,585)	69,077	197,018	4,400,255
\$ 2,898,973	\$ 69,077	\$ 321,483	\$ 12,361,889

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Proprietary Funds
For the Year Ended June 30, 2009

	Business Type Activities	
	Electric Utility	Water Utility
Operating Revenues:		
Charges for Services	\$ 2,327,578	\$ 703,736
Total Operating Revenue	<u>2,327,578</u>	<u>703,736</u>
Operating Expenses:		
Cost of Service	1,862,486	427,661
Depreciation	65,786	80,907
Total Operating Expenses	<u>1,928,272</u>	<u>508,568</u>
Operating Income (Loss)	399,306	195,168
Non-Operating Income (Expense):		
Interest Income	5,128	459
(Loss) on Sale of Assets	-	(22,413)
Revenue from Use of Property	-	7,717
Other Non-operating Revenues	9,370	2,643
Interest Expense	-	(3,242)
Total Non-Operating Income (Expenses)	<u>14,498</u>	<u>(14,836)</u>
Income before Transfers and Contributions	413,804	180,332
Capital Contributions	-	-
Transfers Out	<u>(150,000)</u>	<u>(168,677)</u>
Change in Net Assets	263,804	11,655
Net Assets - Beginning	<u>4,776,952</u>	<u>4,019,945</u>
Net Assets - Ending	<u>\$ 5,040,756</u>	<u>\$ 4,031,600</u>

See Accompanying Notes to Financial Statements

Business Type Activities			
Sewer Utility	Solid Waste Utility	Storm Water Utility	Total
\$ 704,343	\$ 253,555	\$ 80,690	\$ 4,069,902
704,343	253,555	80,690	4,069,902
459,475	275,557	18,034	3,043,213
94,519	-	4,795	246,007
553,994	275,557	22,829	3,289,220
150,349	(22,002)	57,861	780,682
416	-	-	6,003
-	-	-	(22,413)
-	-	-	7,717
384	65	-	12,462
(37,359)	-	-	(40,601)
(36,559)	65	-	(36,832)
113,790	(21,937)	57,861	743,850
129,920	-	-	129,920
(185,725)	-	-	(504,402)
57,985	(21,937)	57,861	369,368
2,840,988	91,014	263,622	11,992,521
\$ 2,898,973	\$ 69,077	\$ 321,483	\$ 12,361,889

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
COMBINING STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2009

	Business Type Activities	
	Electric Utility	Water Utility
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 2,377,743	\$ 733,393
Cash Paid to Suppliers for Goods and Services	(1,595,477)	(222,848)
Cash Paid to Employees for Services	(313,444)	(205,066)
Other Receipts	9,370	10,360
Net Cash Provided (Used) by Operating Activities	<u>478,192</u>	<u>315,839</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(148,556)	(98,443)
Proceeds from Sale of Capital Assets	-	117,745
Principal Paid on Notes and Bonds	-	(20,000)
Interest & Bond Costs Paid	-	(3,110)
Net Cash (Used) by Capital and Related Financing Activities	<u>(148,556)</u>	<u>(3,808)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating Transfers to Other Funds	(150,000)	(168,677)
Advance (to) from Other Funds	(1,000,000)	-
Due to Other Funds	5,681	120,858
Due from Other Funds	1,548,029	5,000
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>403,710</u>	<u>(42,819)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investment Securities	(1,975,000)	(800,460)
Interest and Dividends on Investments	5,128	459
Net Cash (Used) for Investing Activities	<u>(1,969,872)</u>	<u>(800,001)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,236,526)	(530,789)
Cash and Cash Equivalents at Beginning of Year	<u>2,063,250</u>	<u>530,789</u>
Cash and Cash Equivalents at End of Year	<u>\$ 826,724</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

Business Type Activities			
Sewer Utility	Solid Waste Utility	Storm Water Utility	Total
\$ 710,139	\$ 266,479	\$ 80,071	\$ 4,167,825
(327,242)	(273,901)	(41,589)	(2,461,057)
(179,972)	-	-	(698,482)
384	65	-	20,179
<u>203,309</u>	<u>(7,357)</u>	<u>38,482</u>	<u>1,028,465</u>
(501,762)	-	(25,592)	(774,353)
-	-	-	117,745
(149,775)	-	-	(169,775)
(35,607)	-	-	(38,717)
<u>(687,144)</u>	<u>-</u>	<u>(25,592)</u>	<u>(865,100)</u>
(185,725)	-	-	(504,402)
1,000,000	-	-	-
5,340	-	-	131,879
-	-	-	1,553,029
<u>819,615</u>	<u>-</u>	<u>-</u>	<u>1,180,506</u>
(416)	-	-	(2,775,876)
416	-	-	6,003
<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,769,873)</u>
335,780	(7,357)	12,890	(1,426,002)
-	60,678	170,794	2,825,511
<u>\$ 335,780</u>	<u>\$ 53,321</u>	<u>\$ 183,684</u>	<u>\$ 1,399,509</u>

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
COMBINING STATEMENT OF CASH FLOWS - (Continued)
Proprietary Funds
For the Year Ended June 30, 2009

	Business Type Activities	
	Electric Utility	Water Utility
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 399,306	\$ 195,168
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	65,786	80,907
Miscellaneous Non-Operating Income	9,370	10,360
(Increase) Decrease in Assets:		
Accounts Receivable	32,131	19,805
Estimated Unbilled Usage	17,694	9,852
Prepays	573	573
Inventories	(123,819)	(7,000)
Increase (Decrease) in Liabilities		
Accounts Payable	78,537	6,037
Accrued Wages and Compensated Absences	(1,726)	137
Customer Deposits	340	-
Total Adjustments	78,886	120,671
Net Cash Provided (Used) by Operating Activities	478,192	315,839
Cash Reconciliation:		
Unrestricted cash	787,965	-
Restricted cash	38,759	-
	826,724	-
Non Cash Reconciling Items:		
Capital Contributions	\$ -	\$ -

See Accompanying Notes to Financial Statements

Business Type Activities			
Sewer Utility	Solid Waste Utility	Storm Water Utility	Total
\$ 150,349	\$ (22,002)	\$ 57,861	\$ 780,682
94,519	-	4,795	246,007
384	65	-	20,179
4,423	12,299	(929)	67,729
1,373	625	310	29,854
573	-	-	1,719
-	-	-	(130,819)
(48,586)	1,656	(23,555)	14,089
274	-	-	(1,315)
-	-	-	340
52,960	14,645	(19,379)	247,783
203,309	(7,357)	38,482	1,028,465
335,780	53,321	183,684	1,360,750
-	-	-	38,759
335,780	53,321	183,684	1,399,509
\$ 129,920	\$ -	\$ -	\$ 129,920

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF FIDUCIARY NET ASSETS
Agency Fund
JUNE 30, 2009

ASSETS

Cash and Pooled Investments	\$ 4,065
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LIABILITIES

Accounts Payable	4,065
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NET ASSETS

Unrestricted	-
Total Net Assets	\$ -

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sergeant Bluff, Iowa, is a political subdivision of the State of Iowa located in Woodbury County, and was incorporated in 1854, under the laws of the State of Iowa, later amended in 1974 under the Home Rule City Act. The City operates under a Mayor-Council form of government with an appointed administrator elected on a nonpartisan basis and administers the following programs as authorized by its charter: public safety, public works, culture and recreation, community and economic development, general government, capital projects and debt service. The City also has municipal electric, water, sewer, solid waste and storm water utility systems which are governed by the City Council.

The City's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board. The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The City applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. REPORTING ENTITY

For financial reporting purposes, the City of Sergeant Bluff, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards or Commissions: Woodbury County Solid Waste Agency Board, Woodbury County E-911 Services Board and Woodbury County Conference Board.

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues,

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

are reported separately from business type activities, which rely to a significant extent on fees and charges for services. The City's general, special revenue, debt service, and capital projects funds are classified as governmental activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through a cost-reimbursement basis.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year activities.

C. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues or receipts, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria for the

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

determination of major funds. The City electively added funds, as major funds, which had a specific community focus. The non-major funds are combined into a single column in the fund financial statements.

The City reports the following major governmental funds:

Governmental Fund Types – The governmental fund financial statements are reported using the current financial resources measurement focus. This means that the focus of the governmental funds' measurement is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

- 1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.
- 2) Special Revenue Fund – The Local Option Sales Tax Fund is used to account for receipt of the City's share of the one percent local option sales.
- 3) Debt Service Fund – Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.
- 4) Capital Project Funds – The Capital Project Fund is used to account for the construction of major capital improvements and infrastructure financed by transfer from other funds and bond issues.

Proprietary Fund Types – The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

- 1) Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City maintains several business-type activities. The major enterprise funds are listed as follows:

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

The Solid Waste Fund is used to account for the billing, collection and payment for solid waste collection and disposal services.

The Electric Fund is used to account for the operation and maintenance of the City's electrical system.

The Storm Water Utility Fund is used to account for the operation and maintenance of the City's storm water utility system.

Fiduciary Fund Types – Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements. The City's Agency Fund is used to account for a medical flexible spending account for employees.

D. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end with the exception of expenditure driven grants for which a one-year availability period is used.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Budgets

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted.

F. Cash And Cash Equivalents And Investments

The City is authorized by statute to invest public funds not currently needed for operating expenses in notes, certificates, bonds, prime eligible bankers acceptances, certain high rated commercial paper, perfected repurchase agreements, or other evidences of indebtedness which are obligations of or guaranteed by the United States of America or any of its agencies, or in time deposits or savings accounts in depositories approved by the City Council.

1) Cash and Cash Equivalents

Includes investments with original maturities of three months or less.

2) Investments

Consist of certificates of deposit with original maturities of more than three months and perfected repurchase agreement. The City reports certificates of deposit and perfected repurchase agreements at cost.

G. Property Tax Receivable

Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2009

Note 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008. Any county collections on the 2008-2009 tax levy remitted to the City within 60 days subsequent to June 30, 2009, are recorded as property tax revenue.

H. Short-Term Interfund Receivables/Payables

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2009, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

I. Inventories

All inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased and are immaterial and not recorded on the current financial statements.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009 are recorded as prepaid items.

K. Restricted Assets

Customer deposits held as security deposit for utility customers are recorded as restricted assets to indicate that their use is limited to payment of delinquent utility bills or refunds to customers.

L. Property and Equipment

Assets with an initial individual cost of \$1,000 or more are considered capital assets. Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure has been capitalized using historical or estimated historical cost beginning in 1980 as required by GASB 34. Depreciation on all assets is provided on the straight-line basis over the following estimated lives:

Buildings	20 – 50 Years
Utility Plant	30 – 33 Years
Land Improvements	20 – 50 Years
Machinery & Equipment	5 - 20 Years
Infrastructure	20 – 100 Years

M. Compensated Absences

The City accrues accumulated unpaid vacation costs and related employee benefits when earned (or estimated to be earned) by the employee. The amount estimated to be used in subsequent fiscal years for governmental funds is reported only as a general liability in the government-wide statement of net assets and represents a reconciling item between the fund and government-wide presentations. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

N. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the government-wide financial statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

O. Fund Equity

Reserves represent those portions of fund equity legally segregated for a specific future use.

P. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which they are levied.

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City's deposits at June 30, 2009, were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. There were no differences in investments held during the year from those at June 30, 2009.

At June 30, 2009 the City had the following investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

	<u>Fair Value</u>
Certificates of deposits	\$ 207,656
Repurchase agreements	3,125,000
Restricted Investments – SLG Securities	1,312,630
	<u>\$ 4,645,286</u>

The City's \$3,125,000 investment in repurchase agreements is held in the name of the City and underlying securities (totaling \$3,210,000) are held by an authorized custodian of the City.

The City's \$1,312,630 in restricted investments are state and local governmental series securities. These securities are held in an escrow account for the future refunding of outstanding General Obligation Bonds.

Interest Rate Risk: The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2009

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

investments with maturities longer than 397 days but the maturities shall be consistent with the needs and uses of the City.

The City's investments consist of certificates of deposits, repurchase agreements, and state and local governmental series securities with the latest maturity extending to August 19, 2010.

Credit Risk: The City's investment policy addresses the issue of credit risk. Investments are limited to certain types of investments and by diversifying the investment portfolio.

Note 3 - DUE FROM OTHER GOVERNMENTS

At June 30, 2009, amounts due from other governments were as follows:

Due from the Iowa Department of Transportation Grant Funding	\$ 408,091
Due from the State of Iowa for local option sales taxes	54,855
Due from the Iowa Department of Transportation for road use tax allocations	22,482
Total Due from Other Governments	<u>\$ 485,428</u>

As of June 30, 2009, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General	Proprietary – Electric	\$ 7,600
General	Proprietary – Water	101,966
General	Capital Projects	5,700
Proprietary - Sewer	General	450
Proprietary – Sewer	Proprietary - Water	35
Proprietary – Electric	General	1,261
Proprietary – Electric	Proprietary – Water	365
Proprietary – Electric	Proprietary – Sewer	293
Employee Benefits	General	12,465
Debt Service	Proprietary – Water	18,492
Debt Service	Proprietary - Sewer	132,620

As of June 30, 2009, long-term advances were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
Proprietary - Electric	Proprietary – Sewer	\$ 1,000,000

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2009

Note 4 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Primary Government

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 393,609	\$ -	\$ -	\$ 393,609
Construction in Progress	754,858	1,334,387	656,353	1,432,892
Total capital assets not being depreciated	1,148,467	1,334,387	656,353	1,826,501
Capital assets being depreciated:				
Buildings and Improvements	2,015,427	-	34,500	1,980,927
Equipment	2,651,748	211,265	112,931	2,750,082
Land Improvements	1,637,467	2,624	-	1,640,091
Infrastructure	10,610,866	653,729	-	11,264,595
Total capital assets being depreciated	16,915,508	867,618	147,431	17,635,695
Less: Accumulated Depreciation for:				
Buildings and Improvements	346,099	49,782	10,781	385,100
Equipment	1,679,076	219,666	84,962	1,813,780
Land Improvements	75,740	41,010	-	116,750
Infrastructure	6,182,573	447,660	-	6,630,233
Total Accumulated Depreciation	8,283,488	758,118	95,743	8,945,863
Total capital assets being depreciated, net	8,632,020	109,500	51,688	8,689,832
Governmental activities capital assets, net	\$ 9,780,487	\$ 1,443,887	\$ 708,042	\$ 10,516,332

Construction in progress at June 30, 2009, for the governmental activities consisted of costs associated with the West Ridge Road project, Charles Floyd Walking Trail project, Homan Block sidewalk, South Lewis Boulevard project, City Hall renovation project and the Camelot paving improvements.

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2009

Note 4 - CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 202,934	\$ -	\$ 140,159	\$ 62,775
Construction in Progress	639,502	642,891	1,133,614	148,779
Total capital assets not being depreciated	842,436	642,891	1,273,773	221,554
Capital assets being depreciated:				
Buildings and Improvements	862,544	387,156	-	1,249,700
Equipment	625,747	237,355	3,953	859,149
Distribution System	8,147,233	771,705	-	8,918,938
Total capital assets being depreciated	9,635,524	1,396,216	3,953	11,027,787
Less: Accumulated Depreciation				
Buildings and Improvements	152,748	17,926	-	170,674
Equipment	312,861	66,471	2,734	376,598
Distribution System	1,513,825	161,610	-	1,675,435
Total Accumulated Depreciation	1,979,434	246,007	2,734	2,222,707
Total capital assets being depreciated, net	7,656,090	1,150,209	1,219	8,805,080
Business-type activities capital assets, net	\$ 8,498,526	\$ 1,793,100	\$ 1,274,992	\$ 9,026,634

Construction in progress at June 30, 2009, for the business-type activities consisted of costs associated with the Water Treatment Plant project and the Alexander Pond project.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Public Safety	\$ 177,748
Public Works	473,209
Culture and Recreation	89,968
General Government	7,102
Community and Economic Development	10,091
Total depreciation expense – governmental activities	<u>\$ 758,118</u>
Business-Type Activities:	
Water	\$ 80,907
Sewer	94,519
Electric	65,786
Storm Water	4,795
Total depreciation expense – business-type activities	<u>\$ 246,007</u>

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2009

Note 4 - CAPITAL ASSETS (CONTINUED)

Reconciliation of Invested in Capital Assets:

	Governmental Activities	Business-type Activities
Land	\$ 393,609	\$ 62,775
Construction in Progress	1,432,892	148,779
Deposit on Capital Assets	135,554	-
Capital Assets (net of accumulated depreciation)	8,689,832	8,805,080
Less: General Obligation Bonds Payable	4,945,000	1,055,000
Invested in Capital Assets, Net of Related Debt	<u>\$ 5,706,887</u>	<u>\$ 7,961,634</u>

Note 5 - LONG-TERM LIABILITIES

The City's computed legal debt limit as of June 30, 2009, is \$10,921,604 of which \$7,340,000 is committed for outstanding general obligation debt.

The following is a summary of bond transactions of the City for the year ended June 30, 2009:

	Governmental Activities	Business Type Activities	
	General	Obligation	
	Bonds and Notes Paid By Debt Service Fund	Bonds Paid By Enterprise Funds	Total
<i>Primary Government:</i>			
Bonds payable			
July 1, 2008	\$ 3,945,000	\$ 1,170,000	\$ 5,115,000
Plus: Issued	2,715,000	-	2,715,000
Less: Payments	375,000	115,000	490,000
Less: Refunded	-	-	-
Bonds Payable			
June 30, 2009	<u>\$ 6,285,000</u>	<u>\$ 1,055,000</u>	<u>\$ 7,340,000</u>
Due within one year	<u>\$ 1,695,000</u>	<u>\$ 120,000</u>	<u>\$ 1,815,000</u>

In March 2009, the City issued \$2,715,000 of General Obligation Bonds, of which \$1,340,000 is a crossover advance refunding of the 1999 and 2001 swimming pool General Obligation Bonds. The 2009 bonds have an average interest rate of 3.00% and the 1999 and 2001 bonds being refunded have an average interest rate of 4.90% and 5.08%. The net proceeds from this issuance were used to purchase U.S. government securities and were deposited in an escrow account with Bankers Trust Company. As of June 30, 2009 the amount in escrow was \$1,312,630. This amount will be used to refund the remaining \$640,000 and \$820,000 on June 1, 2010 of the 1999 and 2001 when these notes became callable. The assets deposited with the escrow agent are shown as a restricted asset in the City's Debt Service Fund. As a result of this refunding the City will reduce its

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2009

Note 5 - LONG-TERM LIABILITIES (CONTINUED)

debt service payments over the next eight years by \$57,094, and obtain an economic gain of \$50,801.

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for the governmental-type activities and the business-type activities.

General obligation bonds outstanding as of June 30, 2009 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2009	Due Within One Year
General Obligation:							
Corporate purpose	1999	4.30-5.50%	2015	\$-75,000-\$120,000	\$ 1,330,000	\$ 640,000	\$ 640,000
Swimming pool	2001	4.75-5.40%	2017	\$ 65,000-\$120,000	1,300,000	820,000	820,000
Corporate purpose	2001	3.50-5.20%	2015	\$ 65,000-\$100,000	960,000	540,000	80,000
Corporate purpose	2004	2.00-4.80%	2016	\$ 35,000-\$ 50,000	500,000	315,000	40,000
Refunding and Water	2005	2.75-4.10%	2015	\$ 25,000-\$135,000	720,000	225,000	105,000
Interstate Lift Station	2006	2.85-4.10%	2017	\$ 90,000-\$130,000	1,285,000	915,000	100,000
Corporate Purpose	2008	2.6-4.45%	2027	\$ 30,000-\$185,000	1,170,000	1,170,000	30,000
Corporate Purpose	2009	2.00-4.00%	2020	\$145,000-\$365,000	2,715,000	2,715,000	-
Total General Obligation					<u>\$ 9,980,000</u>	<u>\$ 7,340,000</u>	<u>\$ 1,815,000</u>

General Obligation

Year Ending June 30,	Principal	Interest
2010	\$ 1,815,000	\$ 296,747
2011	610,000	194,400
2012	650,000	176,927
2013	650,000	157,090
2014	670,000	135,860
2015-2019	2,235,000	364,915
2020-2024	540,000	80,453
2025-2027	170,000	15,243
	<u>\$ 7,340,000</u>	<u>\$ 1,421,635</u>

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2009

Note 6 – TRANSFERS

The following is a summary of transfers between funds:

	General	Debt Service	Capital Projects	Total Transfers Out
Capital Projects	\$ -	\$ -	\$ 477,838	\$ 477,838
Special Revenue-Local				
Option Sales Tax	220,396	-	-	220,396
Nonmajor Governmental	489,796	-	35,660	525,456
Water	-	168,677	-	168,677
Sewer	-	185,725	-	185,725
Electric	150,000	-	-	150,000
Total Transfers In	\$ 860,192	\$ 354,402	\$ 513,498	\$ 1,728,092

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. To move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due.

Iowa Public Employees Retirement System - The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of annual covered salary. Law enforcement employees are covered by another plan. Contribution requirements are established by state statute. The City contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$75,196, \$70,800, and \$72,742, respectively, equal to the required contributions for each year.

Note 7 - RISK MANAGEMENT

The City of Sergeant Bluff is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductible and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

CITY OF SERGEANT BLUFF, IOWA
Notes to Financial Statements
June 30, 2009

Note 8 - COMMITMENTS

During the year ended June 30, 2009, and in previous years the City had entered into several construction contracts totaling approximately \$3,576,474 of which approximately \$2,468,258 has been expended to date. The remaining balance will be paid as work progresses.

Note 9 - INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued a total of \$9,100,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City. The outstanding balance as of June 30, 2009 is \$8,480,000.

Note 10 COMMUNITY ECONOMIC BETTERMENT (CEBA) LOAN

On December 15, 1998, the City received \$175,000 from the Iowa Department of Economic Development under a CEBA loan agreement. The City subsequently loaned \$175,000 to a private business. No interest or principal payments are required during the first and second years. At the project completion date, \$1,250 will be forgiven for each new job created and the balance remaining will be amortized over the remaining three years in equal annual payments with 6 percent per annum interest. The City's liability for repayment of this loan is limited to those amounts the City collects through its good faith enforcement of security interest with the business; therefore, the liability for this loan is not included in the Government-Wide Financial Statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SERGEANT BLUFF, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS)- GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTAL INFORMATION
For the Year Ended June 30, 2009

	Actual Amounts			Budgeted Amounts		Variance With
	Governmental Funds	Proprietary Funds	Total Actual	Original	Final	Final Budget Positive (Negative)
Revenue:						
Property Taxes	\$ 1,485,206		\$ 1,485,206	\$ 1,499,459	\$ 1,499,459	\$ (14,253)
Tax increment financing	42,026		42,026	54,070	54,070	(12,044)
Other city tax	354,868		354,868	349,885	349,885	4,983
Licenses and permits	18,184		18,184	18,400	18,400	(216)
Intergovernmental revenue	336,658		336,658	1,622,300	1,622,300	(1,285,642)
Charges for services	205,193	4,446,971	4,652,164	4,986,135	4,986,135	(333,971)
Use of money and property	75,350	6,003	81,353	-	-	81,353
Miscellaneous	120,199		120,199	-	-	120,199
Total Revenue	<u>2,637,684</u>	<u>4,452,974</u>	<u>7,090,658</u>	<u>8,530,249</u>	<u>8,530,249</u>	<u>(1,439,591)</u>
Expenditures:						
Public safety	1,122,057		1,122,057	1,293,830	1,293,830	171,773
Public works	450,844		450,844	481,531	521,531	70,687
Culture and recreation	381,539		381,539	322,689	392,689	11,150
Community and economic development	41,892		41,892	40,290	55,290	13,398
General government	335,186		335,186	456,996	456,996	121,810
Capital projects	703,890		703,890	2,453,881	2,453,881	1,749,991
Debt service	727,317		727,317	775,673	775,673	48,356
Business type activities		4,142,384	4,142,384	4,349,927	4,349,927	207,543
Total Expenditures	<u>3,762,725</u>	<u>4,142,384</u>	<u>7,905,109</u>	<u>10,174,817</u>	<u>10,299,817</u>	<u>2,394,708</u>
Excess (deficiency) of revenues over expenditures	<u>(1,125,041)</u>	<u>310,590</u>	<u>(814,451)</u>	<u>(1,644,568)</u>	<u>(1,769,568)</u>	<u>955,117</u>
Other financing sources (uses):						
Proceeds from sale of fixed asset		117,745	117,745	-	-	117,745
Proceeds from issuance of debt	2,646,387		2,646,387	810,000	810,000	1,836,387
Interfund Transfers In	1,280,457		1,280,457	2,320,126	2,320,126	(1,039,669)
Interfund Transfers Out	(776,055)	(504,402)	(1,280,457)	(2,320,126)	(2,320,126)	1,039,669
Total other financing sources (uses)	<u>3,150,789</u>	<u>(386,657)</u>	<u>2,764,132</u>	<u>810,000</u>	<u>810,000</u>	<u>1,954,132</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>2,025,748</u>	<u>(76,067)</u>	<u>1,949,681</u>	<u>\$ (834,568)</u>	<u>\$ (959,568)</u>	<u>\$ 2,909,249</u>
Fund balances-beginning of year	<u>2,080,707</u>	<u>4,282,828</u>	<u>6,363,535</u>			
Fund balances- end of year	<u>\$ 4,106,455</u>	<u>\$ 4,206,761</u>	<u>\$ 8,313,216</u>			

CITY OF SERGEANT BLUFF, IOWA
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTAL INFORMATION
For the Year Ended June 30, 2009

	Governmental Funds			Proprietary Funds Enterprise		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 2,637,684	\$ 523,362	\$ 3,161,046	\$4,452,974	\$ (356,890)	4,096,084
Expenditures/expenses	3,762,725	497,608	4,260,333	4,142,384	(790,150)	3,352,234
Net	(1,125,041)	25,754	(1,099,287)	310,590	433,260	743,850
Other financing sources, net	3,150,789	68,613	3,219,402	(386,657)	12,175	(374,482)
Beginning fund balances/net assets	2,080,707	(52,683)	2,028,024	4,282,828	7,709,693	11,992,521
Ending fund balances/net assets	<u>\$ 4,106,455</u>	<u>\$ 41,684</u>	<u>\$ 4,148,139</u>	<u>\$4,206,761</u>	<u>\$ 8,155,128</u>	<u>\$12,361,889</u>

CITY OF SERGEANT BLUFF
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Agency Funds, and appropriates the amount deemed necessary for each of the different City offices and departments. The budgets may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 9 major classes of expenditures known as functions, not by fund. These 9 functions are: public safety, public works, community and economic development, health and social services, culture and recreation, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$395,120. The budget amendment is reflected in the final budgeted amounts.

During the fiscal year ended June 30, 2009, disbursements did not exceed the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

CITY OF SERGEANT BLUFF, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2009

	Special Revenue Funds				Total Governmental Nonmajor Funds
	Road Use Tax	Employee Benefits	Pioneer Flats Tax Increment Financing	Volunteer Fire Dept	
Assets					
Cash and Pooled Investments	\$ 414,180	\$ 46,863	\$ 16,156	\$ 105,785	\$ 582,984
Investments	-	-	-	170,481	170,481
Receivables (Net, where applicable, of for uncollectibles)					
Taxes	-	3,270	-	-	3,270
Subsequent Year Taxes	-	293,942	-	-	293,942
Due from Other Funds	-	12,465	-	-	12,465
Due from Other Governmental Agencies	22,482	-	-	-	22,482
Total Assets	436,662	356,540	16,156	276,266	1,085,624
Liabilities and Fund Balances					
Liabilities:					
Deferred Revenue -					
Subsequent Year Taxes	-	293,942	-	-	293,942
Total Liabilities	-	293,942	-	-	293,942
Fund Balances					
Unreserved	436,662	62,598	16,156	276,266	791,682
Total Fund Balances	436,662	62,598	16,156	276,266	791,682
Total Liabilities and Equity	\$ 436,662	\$ 356,540	\$ 16,156	\$ 276,266	\$ 1,085,624

CITY OF SERGEANT BLUFF, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2009

	Special Revenue Funds				Total Governmental Nonmajor Funds
	Road Use Tax	Employee Benefits	Pioneer Flats Tax Increment Financing	Volunteer Fire Dept	
Revenue:					
Taxes	\$ -	\$ 271,650	\$ -	\$ -	\$ 271,650
Intergovernmental Revenue	275,245	-	-	9,989	285,234
Charges for Services	-	-	-	75,422	75,422
Contributions	-	-	-	3,732	3,732
Interest	-	-	-	5,028	5,028
Miscellaneous	2,351	-	-	29,226	31,577
Total Revenue	277,596	271,650	-	123,397	672,643
Expenditures:					
Public Safety	-	-	-	100,065	100,065
Public Works	6,650	-	-	-	6,650
Total Expenditures	6,650	-	-	100,065	106,715
Excess of revenues over expenditures	270,946	271,650	-	23,332	565,928
Other financing sources (uses):					
Transfers Out	(277,893)	(211,903)	(35,660)	-	(525,456)
Total other financing sources (uses)	(277,893)	(211,903)	(35,660)	-	(525,456)
Net Change in Fund Balance	(6,947)	59,747	(35,660)	23,332	40,472
Fund balances - beginning of year	443,609	2,851	51,816	252,934	751,210
Fund balances - end of year	\$ 436,662	\$ 62,598	\$ 16,156	\$ 276,266	\$ 791,682

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Agency Funds
For the Year Ended June 30, 2009

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
<u>FLEX</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 5,933	\$ 5,656	\$ 7,524	\$ 4,065
Total Assets	5,933	5,656	7,524	4,065
<u>Liabilities</u>				
Accounts Payable	5,933	5,656	7,524	4,065
Total Liabilities	\$ 5,933	\$ 5,656	\$ 7,524	\$ 4,065

CITY OF SERGEANT BLUFF
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
For the Last Six Years Ended June 30

	Modified Accrual Basis			
	2009	2008	2007	2006
Revenues:				
Property tax	\$ 1,561,438	\$ 1,429,954	\$ 1,161,191	\$ 1,063,633
Tax increment financing revenue	22,371	-	139,332	64,969
Other city tax	368,402	380,639	380,152	340,121
Licenses and permits	18,185	30,285	36,208	48,673
Intergovernmental	740,150	363,853	295,843	383,978
Charges for service	195,840	220,694	197,471	117,432
Proceeds from Sale of Assets	29,065			
Use of money and property	80,622	76,477	54,395	46,288
Special assessments	-	65,801	25,334	6,567
Miscellaneous	144,973	134,355	123,657	90,720
Total	<u>\$ 3,161,046</u>	<u>\$ 2,702,058</u>	<u>\$ 2,413,583</u>	<u>\$ 2,162,381</u>
Expenditures:				
Operating:				
Public safety	\$ 1,101,673	\$ 918,523	\$ 920,527	\$ 934,948
Public works	452,415	314,352	297,768	242,232
Culture and recreation	356,831	325,725	268,710	136,670
Community and economic development	35,330	33,609	124,156	62,889
General government	311,718	453,175	339,113	281,676
Debt service	639,818	645,238	559,782	902,415
Capital projects	1,362,548	598,026	503,037	549,773
Total	<u>\$ 4,260,333</u>	<u>\$ 3,288,648</u>	<u>\$ 3,013,093</u>	<u>\$ 3,110,603</u>

Modified Accrual Basis	
2005	2004
\$ 984,838	\$ 1,004,173
-	47,201
327,599	35,768
39,175	44,407
316,846	
141,887	87,743
51,173	685,145
1,094	148,640
374,214	97,194
<hr/>	
\$ 2,236,826	\$ 2,150,271
<hr/>	

\$ 1,131,396	\$ 955,098
225,671	236,940
260,106	295,518
93,899	94,772
266,095	325,995
559,441	618,256
1,037,788	497,679
<hr/>	
\$ 3,574,396	\$ 3,024,258
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SUPPLEMENTARY INFORMATION

CITY OF SERGEANT BLUFF, IOWA
Schedule of Findings
For the Year Ended June 30, 2009

Part I: Summary of the Independent Auditors' Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

Instances of Non-Compliance:

No matters were noted.

Significant Deficiencies:

II-A-09 Financial Reporting

Observation - During the audit, we identified material amounts of receivables, payables and capital asset additions not identified by the City. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables, payables, capital asset additions are identified and included in the City's financial statements.

Response – We will double check these in the future to avoid any missing receivables, payables, capital asset.

Conclusion – Response accepted.

II-B-09 Segregation of Duties

Observation - During the audit, it was noted that the individual who creates the utility bills also enters the rates and makes all the adjustments to the utility billing software. It was also noted that the individual that prepares the payroll checks also has the ability to make rate changes in the payroll master file and distributes the signed payroll checks. These incompatible duties gives those individuals the ability to perpetrate and conceal errors or fraud.

Recommendation - The City should implement a system of segregation of responsibility and review and monitoring functions for the payroll and the utility billing functions.

Response - The city is aware of the nature of the weakness and the necessity to establish more effective controls. Procedures will be reviewed and changes will be implemented as deemed necessary and practical.

Conclusion - Response accepted.

CITY OF SERGEANT BLUFF, IOWA
Schedule of Findings
For the Year Ended June 30, 2009

Part III: Other Findings Related to Statutory Reporting:

- III-A-09 - Certified Budget – Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted.
- III-B-09 - Questionable Expenditures - We noted no questionable expenditures during our audit.
- III-C-09 - Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-09 - Business Transactions – No business transactions between the City and City employees were noted.
- III-E-09 - Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. However, we recommend that the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-09 - Cash and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-G-09 Financial Report – The Annual Financial Report was not filed by December 1 as required by Chapter 384.22 of the Code of Iowa.

Recommendation – The City should comply with Chapter 384.22 of the Code of Iowa and file the Annual Financial Report by December 1.

Response – We will comply with the requirements.

Conclusion – Response accepted.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor, Members of the City Council
City of Sergeant Bluff, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF SERGEANT BLUFF, IOWA as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 14, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the City of Sergeant Bluff, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sergeant Bluff, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Sergeant Bluff, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Sergeant Bluff, Iowa's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the City of Sergeant Bluff, Iowa's financial statements that is more than inconsequential will not be prevented or detected by the City of Sergeant Bluff, Iowa's internal control. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs as item II-A-09, II-B-09 to be a significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Sergeant Bluff, Iowa's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control

that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are material weaknesses.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the City of Sergeant Bluff's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Sergeant Bluff, Iowa's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Sergeant Bluff, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. If you have any questions concerning the above matters, we would be pleased to discuss them with you at your convenience.


Certified Public Accountants

April 14, 2010
Le Mars, Iowa